

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

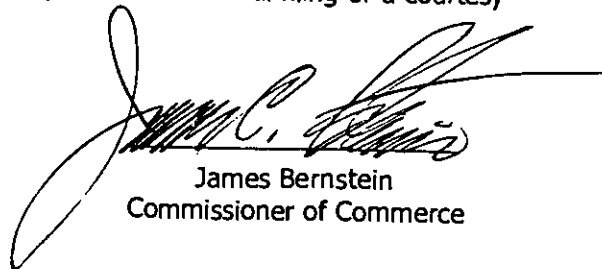
**Bulletin 2000-8
Issued this 22nd day of November, 2000**

TO: ALL COMPANIES WRITING CROP HAIL INSURANCE IN MINNESOTA

This bulletin supersedes bulletin 99-5 and reminds all crop hail insurers of the requirements of Minnesota Statute 70A.04, subdivision 1, which states, "rates shall not be excessive, inadequate or unfairly discriminatory, nor shall an insurer use rates to engage in unfair price competition." In making your filing for the 2000 season, follow these guidelines:

1. Companies must file for the 2001 season only if they are making changes in their 2000 rating structure. If a company is not making any changes in their current rates, then they are not required to refile their rates. However, any changes must be filed. If a company does file new rates, it may write no new business until the new rates are effective. New rates must also be filed electronically in the format prescribed for the 2000 filings. Any new filings must be in our office prior to February 1, 2001.
2. If you file new rates, you must use the 2000 NCIS final average loss costs with catastrophe by township (FALC with catastrophe) or loss costs developed by using meaningful statistics from a large data base for a minimum of 20 years. Your rates should not be limited, neither capped nor cupped, based on a prior year's rates. Companies using the NCIS FALC will be allowed to adjust the NCIS FALC if their previous experience for a minimum of ten years compared to NCIS FALC for the same period justifies it. Companies using their own experience cannot deviate, either up or down, more than 10% from the NCIS FALC. If you modify the NCIS FALC you must provide convincing justification signed by a member of the Casualty Actuarial Society.
3. If the liability in a township is less than \$50,000, i.e., a low liability township, then you may judgmentally modify the FALC with catastrophe for that township to be consistent with the rates of adjacent townships. Your filing must identify all townships where you do this. You must explain why the NCIS rate is inappropriate and why your proposed rate is better.
4. In the 2000 NCIS filing, corn is factored off of wheat in corn low liability counties where the wheat is not low liability and wheat is factored off of corn in wheat low liability counties where the corn is not low liability. The county low liability threshold is \$1,250,000. At your option you may extend this NCIS low liability procedure for wheat FALC to counties where wheat liability is up to \$10,000,000 provided that corn liability exceeds \$10,000,000. (See Exhibit B, pages 10 and 11, of the 2000 NCIS Filing for a list of wheat and corn liabilities by county.) For example, the wheat liability for Blue Earth County is 5,618,912 and the corn liability is 360,678,194. The NCIS calculates the wheat FALC in Blue Earth County using the wheat experience alone. You may use the wheat FALC provided by the NCIS for Blue Earth County if you wish, or, if you prefer, you may set the wheat FALC equal to 1.50 times the corn FALC in that county. Your filing must identify all counties where you choose this option to deviate from the NCIS FALC. In counties where the wheat liability exceeds 10,000,000, you must use the NCIS wheat FALC.
5. You may use minimum and maximum FALC by crop class on either a statewide or county basis. Your filing must specify and justify each minimum and maximum, and they should be balanced and reasonable. By balanced, we mean that the expected effect is revenue neutral.

6. A list of the NCIS Minnesota 2000 crop and policy form factors is attached as Exhibit I. **If you use policy form or crop factors other than those shown on this list, then you must file those factors with us and provide convincing justification that they are appropriate for your book of business.**
7. You must include a three year expense statement Itemizing Production Expenses; Taxes, Licenses and Fees; General Expenses; Loss Adjusting Expenses; Other Expenses; Anticipated Underwriting Profit and Contingencies.
8. Your filing must clearly demonstrate how to generate your rates from the NCIS **FALC. The filing must provide examples of rate calculations with sufficient clarity so that a reader of the filing can reproduce any rate found in the filing by applying your formulas to the NCIS FALC.**
9. DISCOUNTS:
 - A. Cash discounts may not exceed 3% unless a higher discount can be justified. The cash must be paid by July 1 of the crop season to qualify for a 3% discount. Cash paid by August 1 can qualify a policy for a 2.5% discount. For a policy written after July 1 with a 3% discount, the cash must accompany the application to the processing office to qualify for the discount.
 - B. Claim-free discounts for crop hail coverage cannot be actuarially justified, so these discounts will not be allowed.
 - C. Unless actuarially justified, a discount will not be allowed on crop hail premiums if a Multiple Peril Crop Insurance (MPCI) policy is involved.
 - D. Large volume discounts will be allowed on a graduated scale, but only to an extent justified by specific expense savings.
 - E. Any other discounts must be actuarially justified and submitted over the signature of a member of the Casualty Actuarial Society.
10. Indicate in the filing what percentage your rates changed from the prior year.
11. Do not file Multiple Peril Crop Insurance (MPCI) rates or forms, either as a formal filing or a courtesy filing.



James Bernstein
Commissioner of Commerce

Shown below are the NCIS 2000 Crop and Policy Form Factors from the Minnesota 2000 Filing. If you are using crop and/or policy form factors that are not on these pages, then you must file those with us and justify the factors that you are using.

NCIS MINNESOTA 2000 CROP FACTORS

<u>Crop Class</u>	<u>Crop Class Code</u>	<u>Base Crop Class</u>	<u>Crop Factor</u>
Com	A	A	1.00
Soybeans	b	B	1.00
Dry Beans	C	A	2.60
Grains	D	D	1.00
Barley	E	D	1.20
Vegetable/Vine	F	A	2.90
Oil Seeds	G	A	2.90
Sugar Beets / Ton	H	A	1.80
Potatoes	I	A	1.60
Fruit	J	A	3.30
Seeds	K	A	1.90
Sugar Beets / not Ton	L	A	1.20
Other	O	A	1.40

NCIS MINNESOTA 2000 POLICY FORM FACTORS
for CROP CLASSES F, G, H and J

<u>Policy Form</u>	<u>NCIS Code</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>J</u>
Basic	00001	1.00			
DXS10	00022		1.00		
XS15	00016				1.00
XS15IP	00045	.52			
Tonnage	00024			1.00	

Companion Plan policies may also be written for Crop Class G, as described in the NCIS Minnesota 2000 Filing.

NCIS MINNESOTA 2000 POLICY FORM FACTORS
for CROP CLASSES A, B, C, D, E, F, I, K, L and O

Crop classes using A policy form factors: A, C, F, I, K, L, O

Crop classes using B policy form factors: B

Crop classes using D policy form factors: D, E

<u>Policy Form</u>	<u>A</u>	<u>B</u>	<u>D</u>	<u>Policy Form</u>	<u>A</u>	<u>B</u>	<u>D</u>
Basic	1.00	1.00	1.00	CP2 0 ded	0.93	0.89	0.95
BSC/DI0	0.76	0.82	0.72	CP2 10 ded	0.47	0.55	0.40
BSC/DDC	0.65	0.71	0.61	CP2 15 ded	0.35	0.44	0.29
BSC/DXS10	0.81	0.87	0.77	CP3 10 ded	0.43	0.48	0.37
BSC/DXS15	0.74	0.80	0.70	CP2 5 ded [55/5]	0.65	0.70	0.59
BSC/DXS20-50	0.69	0.76	0.65	CP3 5 ded [40/5]	0.59	0.62	0.55
BSC/XSI0IP	0.76	0.82	0.72	CP4 5 ded [30/5]	0.53	0.53	0.50
D5	0.72	0.81	0.65				
D5-D45	0.78	0.86	0.71				
D5-55	0.74	0.83	0.66				
DDA	0.65	0.77	0.56				
DDB	0.45	0.58	0.39				
DDC	0.33	0.45	0.30				
DX5IP2	0.76	0.79	0.70				
DX5IP4	0.60	0.58	0.57				
DXS10	0.63	0.74	0.54				
DXS101%ELA	0.63	0.75	0.54				
DXS10IP	0.94	1.09	0.81				
DXS15	0.49	0.60	0.43				
DXS20-40	0.48	0.62	0.39				
DXS20-70	0.42	0.54	0.37				
DXS5	0.83	0.90	0.75				
DXS5/DXS15	0.65	0.75	0.57				
DXS5-55	0.75	0.83	0.67				
SUPERSAVE5	0.81	0.90	0.74				
XSI0	0.51	0.61	0.45				
XSI0IP	0.52	0.63	0.47				
XS15IPW1IP	0.41	0.51	0.37				
XS20IP	0.39	0.50	0.34				
XS20IPB	0.34	0.45	0.31				
XS25IP	0.33	0.46	0.30				
XS5IP	0.70	0.78	0.63				
20IP	0.32	0.43	0.25				

Companion Plan factors must be multiplied
by the appropriate increasing payment
factors:

Plan:	30/5	40/5	55/5
Factor:	4.0	3.0	2.0